



# ASSET

## DELIVERING PLACES

### PANEL SESSION

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ACES Presidential Conference  
Basildon, September 2008

ACES Paper No. 08.9/02 by

Chaired by **LIZ PEACE**

Chief Executive, British Property Federation

Panel: **BALA MAHENDRAN**

Chief Executive, Basildon District Council;

**STEPHEN OAKES**

Regional Director, London and Thames Gateway  
and English Partnerships;

**ALAN CHERRY CBE**

Founding Director, Countryside Properties;

**STUART YEATMAN**

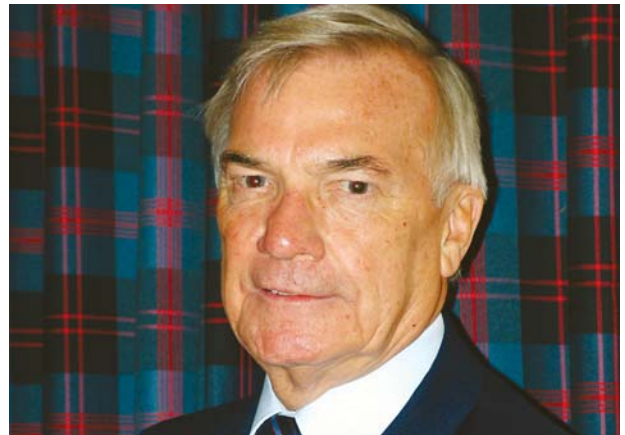
Property Director,  
John Laing Projects & Developments.



BALA MAHENDRAN



STEPHEN OAKES



ALAN CHERRY



LIZ PEACE



STUART YEATMAN

## CHAIR:

LIZ PEACE spent her early career as a civil servant with the Ministry of Defence working on a diverse range of projects from Northern Ireland to aircraft accidents, to land acquisitions and public inquiries. In the 1990s she became a key player in the team that set up the Defence Evaluation and Research Agency and led the first stage of the privatisation process, including the re-branding of the organisation as QinetiQ.

In 2002 Liz became Chief Executive of the British Property Federation and over the following six years managed to change the Government's perception of the commercial property industry, to establish it as a key voice in policy debate, to dissuade the Government from legislating on commercial leases, to win innumerable changes to planning and tax legislation and, working as part of a pan-industry alliance, to persuade the Government to introduce Real Estate Investment Trusts. Most recently Liz played a key role in campaigning for the abandonment of Planning Gain Supplement.

Liz believes there are still plenty of challenges left, not least to ensure that Government and the property industry reach a sensible agreement on how best to deliver the sustainability agenda, and that the BPF continues on its mission of improving the industry's standing not just with politicians and the media but with the public at large.

Liz was awarded a CBE in the 2008 New Year Honours list for services to the property industry.

## THE PANEL:

ALAN CHERRY CBE is Chairman of Countryside Properties plc, one of the UK's leading housing and property development companies. Countryside Properties is a developer specialising in the creation of sustainable communities, and urban regeneration.

He is currently a Board Member of MEPC Limited which operates some of the UK's largest business parks, Chairman of Clydesdale Bank Essex, Chairman of the Kent Thameside Economic Board, Chairman of Medway Economic Partnership, Board Member of Kent Thameside Regeneration Partnership, Member of Thames Gateway Parklands High Level Strategy Group, Member of the Manchester Salford Pathfinder Board, and a Member of the Medway Renaissance Board.

Alan Cherry is a past Member of the National Council of the CBI and past Chairman of the CBI East of England Regional Council. He was a Member of the Bank of England Property Forum; Board Member of the Teesside Development Corporation, and Board Member of the National Westminster Bank City and West End Advisory Board.

He has been a Board Member of the Thames Gateway Strategic Partnership, and a Board Member of the Thames Gateway South Essex Partnership, and was a Founder Partner of the Estate Agency Firm of Bairstow Eves and for some years was its Managing Director.

He was awarded an MBE in 1984, and awarded a CBE in 2003 for services to housing and regeneration. In 2002 he was appointed a Deputy Lieutenant for the County of Essex. In 1991 Alan Cherry was elected an Honorary Member of The Royal Town Planning Institute. In 2002 he was awarded an Honorary Doctorate by Anglia Ruskin University in recognition of his long association with and great contribution to the development of the University and his assistance in the work of the Board of Governors as a member, Deputy Chairman and Chairman.

BALA MAHENDRAN is Chief Executive of Basildon District Council – the largest district council in the eastern region with the biggest economy in Essex. His vision for transforming Basildon focuses on delivering high quality services, ambitious social and physical regeneration and productive partnership working.

Bala's key role in partnership working includes chairing the Basildon Crime and Disorder Reduction Partnership – one of the country's most successful. He is a member of the Basildon Renaissance Partnership – responsible for an estimated £4billion of regeneration opportunities over the next 15 years – and the Thames Gateway South Essex Partnership.

He is passionate about social inclusion and is currently working with the Treasury as a member of their 'Financial Inclusion Taskforce'. He has worked on Bertelsmann's "Cities of Tomorrow" – an international project tackling issues affecting young people and had a leading role in the Essex response to the Tsunami Appeal.

Bala is a qualified engineer, a keen traveller and is married with two children. He loves all kinds of music, particularly live performances.

STEPHEN OAKES is Regional Director of London and Thames Gateway for English Partnerships. A Chartered Surveyor and qualified Structural Engineer, he has over 25 years' experience in land and property, particularly in the planning and delivery of large, complex regeneration sites for the public and private sectors.

Before joining English Partnerships he spent a large part of his career at a leading property organisation, delivering and enabling retail, residential and

commercial schemes across the UK, the majority of which were on brownfield sites.

In 2002, Stephen joined English Partnerships in Milton Keynes and soon after became an Area Director when the London and Thames Gateway region was first set up within the agency. In 2005 he also took on the responsibility of Project Director for the £1bn London-Wide Initiative, an affordable housing delivery programme.

Stephen is a Director of Barking Riverside Limited, a joint venture between English Partnerships and Bellway Homes Limited that will deliver a new community with over 10,800 new homes on one of the largest brownfield sites in the Thames Gateway. He is also an advisor for the CLG's Decent Homes Programme and was recently a member of the London Mayor's Intermediate Housing External Reference Group that contributed to the Mayor's Housing Investment Strategy for London.

STUART YEATMAN is Property Director for John Laing, and is a Chartered Town Planner with over 20 years experience of working in the public and private sectors.

Before joining John Laing Projects and Developments in September 2006, Stuart was involved in town centre regeneration and urban extension projects in the public sector and development and infrastructure projects for Laing Rail.

Stuart leads the team on recent appointments of preferred development partner for the Tunbridge Wells Development Partnership (in joint venture with Gladedale) and the Croydon Council Urban Regeneration Vehicle.

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# DELIVERING PLACES

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### INTRODUCTION

by JIM ROSS, ACES President

I have attended conferences now for about 8 years and the one thing that has always struck me is the high level of intelligence present within the conference hall, not just from our own members who are all senior property people within local government, but also from private sector colleagues too. And yet ACES tends to avoid interactive sessions, so I am delighted that Liz Peace is going to bring together excellent contributions from Bala Mahendran, Chief Executive, Basildon District Council; Stephen Oakes, Regional Director, English Partnerships; Alan Cherry, Founding Director of Countryside Properties; and Stuart Yeatman, Director, John Laings.

**LIZ PEACE, Chief Executive, British Property Federation**

I am delighted to be here because I have never been to Basildon before, I don't know a lot about ACES and I don't know a lot about the role of chief estates surveyors in local government. However, a long time ago, I did spend time in central government and was for a time in the Defence Estates Branch where there were lots of estate surveyors. Therefore I got to know central government estate surveyors extremely well; how property fits into an organisation and how important it is. That importance, in my opinion, is not always recognised corporately, particularly if one looks at the status of the people who look after it. When I first joined the property industry six and a half years ago, I remarked how little attention was devoted to property as a resource within a business. And when we asked the London Business School why it had no property element in its Sloane Fellowship, they looked bemused that people would want to learn about property let alone want to know how much the property owned by a business organisation is worth; how much cost it accounts for in an organisation, and how much money bad property management wastes for an organisation.

I think real estate property in local authorities is hugely important just as it is in business as a whole and anything that ACES and The British Property Federation can do to raise the profile of real estate and property is all to the good. I come from an organisation called The British Property Federation. It is unashamedly a lobbying organisation. I was hired because I had spent years in central government and so, in theory, knew

how government works. Primarily the Federation represents commercial property interests and membership comprises most of the big property firms and agencies. The organisation's focus is on commercial property, although there is a growing membership involved in residential property for rent. The federation believes that this residential rental sector is going to assume much greater importance in the future as the private, professional rented sector provision of good quality rented accommodation is going to be a safety valve for some of the obvious social disasters we are going to see over the next few years. You could consult our website for more details of the sorts of things we do.

Currently the Federation is engaged in a struggle to the death with Government on empty property rates. If any local authorities have views on that issue and would like to contribute to our campaign we would love to hear from you.

The theme of the 2008 ACES Presidential Conference is 'Delivering Places' and so setting the scene from the British Property Federation perspective this is exactly what the Federation is interested in. BPF members are in property to make money, but they will only make money if they deliver decent places and usually this has to be done in conjunction with the public sector, specifically through working closely with local authorities. I have been lucky to be in the property industry over the last six or seven years when regeneration and partnership activity has reached an unprecedented level. The private sector knows that if it wants to achieve anything it has to work extremely closely with the public sector and so we have seen a big growth in public/private partnerships. These partnerships, taking on varied shapes and forms up and down the country, have led to a massive investment in regeneration and what we get out of that is a win-win situation for all. The public sector gets renewed places, for example an environment like Basildon is renewed, and the private sector makes money.

I am never ashamed of saying that that is what Federation members are in property for. Most are public companies and have a fiduciary duty to their shareholders to make money. Consequently they will not, knowingly, get into projects that will not make money. They are not in it for charity, but the community can benefit along with the people who want to make a profit. The communities in which this development and regeneration takes place are, hopefully, improved and opportunities are enhanced for all. When real estate, properties and the environment are improved, this creates new activities, employment, places for social interaction, something for people to do. Regeneration is not just about the physical improvement; it is about the sociological improvement that comes with it. So much for the last six or seven years; BPF members will talk, and wax lyrical, about the various partnerships they have been

involved in and the fantastic things that have been produced as a result of them.

However, this is going to change and problems will multiply in the light of recent events in the world financial markets. In a way it is a refreshing change to deal with real people who have got real problems and real things to do rather than to try and cope with all the high level hysteria that is going on in the city. At the moment (18/09/2009), if you believe what you read in The Times, "the world is on the brink, the market is puking all over us, there is no capital left in the world". So much for a classical education, can I stay down here in Basildon? We now know all about sub-prime and the credit crunch. Intriguingly was it the sub-prime crisis and the credit crunch that caused the property market to go into its downward cycle? We all know that the property market is cyclical, and before recent events much was written about an impending downturn in the property industry and it does look as though it was the sub-prime business that tipped us into it. Unfortunately we may have got into a sort of "double whammy", a "double dip", because the start of the property cycle down turn may be coinciding with a possible move to recession, though no two economists can agree on whether we are or we are not heading that way.

What this means for the property industry is reduced occupier demand. There is no point building property unless somebody comes along and occupies it. Unless you have somebody in it paying rent you are not making money out of it. So far occupier demand is holding up well, save for a certain degree of irony, of course, with the Lehman building in Canary Wharf. The landlord of this modern plush building is the Songbird Consortium, which includes Canary Wharf Group, and they have up to four years loss of rent insured with, with wait for it, AIG; connectivity!

Despite that digression until now occupier demand has been holding up well. In the retail market, of new shopping centres coming on line, White City is 100% let, a fantastic success story, and it is the same elsewhere so there is still demand, but we are starting to see the occupier squeaking. What developers are facing is reduced margins, falling rents because of reduced occupier demand, higher prices and falling values. What we are unlikely to see for the next few years is any speculative build. No developer is going to go into a big commercial construction project without knowing he has got an occupier already signed up. All we shall see is scaled back or delayed development and a few quiet years for commercial property. On the other hand I do not think council development will stop completely but there will be issues of phasing.

I think we will see a particular impact on schemes having a big residential component. As mixed use has been the name of the game for the last ten years or so there will

be a major impact on some big town centre regeneration developments. But towns and cities still need investment so work cannot completely stop just because the property market feels it cannot make enough money out of it.

How can we ensure that the process of regeneration and renewal does not come to a grinding halt? This is where the ACES Presidential Conference 2008 'Delivering Places' is timely and particularly interesting because of the key role that local authorities can play. Whilst local authorities' control of the planning agenda is crucial what I am more interested in is the catalytic position of local authorities as property owners, real estate owners and therefore as potential equity contributors to regeneration projects and the facilitators of infrastructure investment. What is needed to facilitate achievement is partnerships, a concept even more important now than it has been in the past. We need to push the boundaries and find novel ways of achieving the outcomes that we need in providing infrastructure, and find novel financing arrangements, and tax incremental financing, a way of accessing the capital needed to provide infrastructure up front with payment for it later, something the Treasury hates but the Federation has been advocating for a long time.

We need to find a way to use local authority owned property as a catalyst for development. This can be the authority's equity contribution into some public/private sector vehicle to move a scheme forward now with the public sector staying in to share in the up side in due course. This means developing relationships with local authority property managers, planners and politicians to explore the best way of using this property and in an economic and sensible partnering arrangement with the private sector, this is absolutely crucial. ACES members are key to delivering places and further contributions to this paper will explore how we actually do it. These additional contributions will provide a local authority perspective, and an English Partnerships/Government perspective, the house builders view and the landlord's perspective.

#### **BALA MAHENDRAN, Chief Executive, Basildon District Council**

I intend to deal with place shaping and share my thoughts and reflections on 'Delivering Places'. As you know the council and its regeneration partner, Basildon Renaissance Partnership, have great aspirations for the town and district and I will try to reflect on the thought processes that we have gone through to reach this position with our place shaping role; where we are now in relation to that particular agenda; what we are trying to deliver for our communities and what next in these challenging times.

For the last 4 years Basildon has had an administration in power that is truly committed to the place-shaping role. On 4th January 2009 we will celebrate the 60th

birthday of Basildon but we are not yet ready to take the bus pass and retire, as it is also a time of change for the town. I believe our time has come, there may be challenges, but I truly believe our time has come. We are so confident that our time has come that two years ago we went to London and told over a hundred or so property professionals about our aspirations and ambitions for the community. We said what we want is regeneration and from our point of view it is not just the physical regeneration we have in mind but also the community regeneration that needs to go with it.

I will give you some facts about Basildon to demonstrate why we are so confident of the future. We are one eighth of the economy of Essex. The A127 corridor is one of the biggest industrial and commercial corridors in the country. We are the 31st most competitive business destination in the country. Clearly we have a successful economy. The town has weathered other downturns in the past but we feel we need to focus on getting the right things in place for the future.

There is strong political and managerial commitment to that agenda. We consulted our community and from that process decided against having a master planning exercise for the entire district. Instead we produced an ambitious development framework that is realistic and includes key themes.

The first theme is town centre regeneration. New towns have unique features, for example, the whole of the town centre is ageing together and that needs to be fixed. Also we need to bring communities back into the new town. If you drive around Basildon the traffic does not come into the town centre as the road structure takes you away from it. So how do you bring life back into the new town centre and how do we ensure that it thrives with a good night-time economy and the like.

Another "new town" feature is that everything that won awards years ago we have either to pull down or do something with it. The original architects were convinced that what was good in Sweden was good for Basildon, but it did not quite work because it was a different community. So we need to fix the way it was designed and some related major issues such as the way it was built. The property professionals view is that it is not going to last, there are infrastructure problems. Therefore estate regeneration is another theme. This includes both property and infrastructure regeneration and the regeneration of communities; how do we build capacity within our communities?

We also wanted to tell the world that our time has come by taking on a major project. There is an ageing swimming pool in Gloucester Park that needs to be replaced and that idea gathered strength so we said we would go for a sporting village with a 50-metre pool. Currently this project features in the Olympic brochure

as a possible training venue, provided we build it before 2010. This is a challenging prospect especially with property prices and the value of the enabling assets that were to help funding, crashing. Nevertheless, the council is still on track and committed to a sporting venue that will become an excellent facility for elite athletes, elite swimmers, and for the entire community. We see it as a phoenix rising in Basildon to facilitate our active life programme, health agenda and sporting agenda all of which are also supported by Gloucester Park itself. This too is next to the town centre and has been likened to Central Park, New York.

Other areas of physical regeneration, alongside the A127 corridor, the district's industrial and commercial heartland, is a health corridor with a new teaching hospital and a new cardio-thoracic hospital, plus aspirations for community development supported by physical regeneration.

And here I think Members have to be given credit for asking how do we deliver this and for realising that we cannot do it on our own. But Basildon does have a strong leadership role and the ability to bring clarity, focus and direction to the agenda. The agenda includes a strong partnership element particularly with other public sector agencies such as EP, DCLG and EEDA, the East of England Development Agency, the regional development authority. There is an agreed common agenda, and a common purpose but the key to delivery is the private sector. Basildon District Council has a facilitator role but not a delivery role; our job, as a local authority, is working with our regeneration vehicle, the Basildon Renaissance Partnership, which is funded jointly by all parties and its purpose is to help and support the private sector to deliver.

At the same time the council is embarking on a set of initiatives to raise aspirations and skills in order to maintain current economic successes. The skills agenda is the one thing that could hold back future economic success particularly if, in our community, there is a certain lack of skills, and a climate of low expectation or worthlessness is allowed to develop. Hence the skills or new education agenda will be critical and I am pleased to say in the dying days of the Local Skills Council we have managed to secure a £100 million investment in a new college in the town centre. It will happen as capital funding has now been allocated. Success to date is due to many factors. Being very clear about what we want is clearly important as is bringing together a working partnership of other public sector partners to work with private sector expertise, including DTZ and other property professionals, to advise and support the evolution of our strategy and outcomes. And we have not neglected the community developments aspects and building capacity so that local people can take advantage of the new opportunities. We feel we have a model that works, a

model that has creditability because, for example, DCLG agrees to fund it.

It has not been easy to keep the private sector engaged in these difficult times. Flexibility on our part helps. We cannot be too rigid about what is going to happen in the future and when. We need to be flexible and I am pleased to say that members have shown maturity in saying that anything is possible as long as the final outcomes are still there. Delivering on planning, ensuring there are no further delays and the creative use of our assets to add value are also important.

We need to capitalise on our unique location 30 minutes from London and to make Basildon a place people want to do business with. This is an area we are exploring with government and other agencies so we can get the infrastructure right through intervening and using some of our funding to buy the right land and then using those assets much more effectively, in partnership with the private sector, to keep our regeneration agenda on track.

#### **STEPHEN OAKES, Regional Director, London and Thames Gateway and English Partnerships**

English Partnerships is the national regeneration agency helping the Government to support high quality sustainable growth. The purpose of EP is to create well-served, thriving communities where people enjoy living and working, communities that are physically and socially sustainable and incorporate high standards of design and build; improve quality of life; and enhance the environment. To be fair I think that is what we all try to do. Communities are key to what all of us try to create in any regeneration scheme or major new development. Recently a survey asked people about their community with the outcome that there were two issues that individuals worried about: litter and dog dirt. This shows you what very localised issues concern communities when we do these very large schemes. We all think we have an idea about what communities want but the only way real way of finding out is to go and ask them.

Another interesting survey I would like to mention is the Rowntree Trust examination of London housing estates. We are all convinced of the need for great design and quality in building new homes for communities to live in. Actually some of the estates that come out "very good" in the survey were not well designed but they were well managed and very clean. Therefore we have to ensure that in any schemes we do we should not finish the regeneration and walk away as we all have an obligation to make sure there is a fabric to carry on with that afterwards.

The work of English Partnerships work falls into three core areas.

- Unlocking and increasing the **supply of land** to meet housing and other growth needs;
- Creating and sustaining well-served, **mixed communities**; and

- Increasing **quality** of life, enhancing the environment through **innovation** and raising standards.

Another key activity of English Partnerships is working in partnerships with local authorities through, to quote Sir Bob Kerslake, the single conversation. The single conversation is key to developing areas and local authorities are becoming much more important in this. Even so there has to be the blending of agendas and we have to blend these localised agendas with government policy. These are Government targets. The government wants:-

- To create 3 million new homes by 2020
- At least 70,000 affordable homes a year by 2010-11
- 200,000 homes on public sector land by 2016
- 60 per cent of homes to be built on brownfield sites
- All new homes to be zero carbon from 2016

They probably looked good a few years ago but it will take much effort over the next few years to get anywhere near them. It will exercise quite a few pockets as well. There are two priorities for the year ahead, 2008/2009. These are:-

- Business as usual – targets to achieve in relation to housing starts and completions; brownfield land reclaimed; employment space and private sector investment.
- Paving the way for the creation of the new Homes and Communities Agency in April 2009.

Why the Homes and Communities Agency? To quote, again, Sir Bob Kerslake, the Chief Executive Designate of the Homes and Communities Agency, "At its best it will be a bridge between national priorities and local ambition."

As the HCA comes into being the key issue is that it is inheriting two enormous programmes from the Housing Corporation and English Partnerships. There has to be continuity because if suddenly the HC and EP funding stopped it would have a serious impact on many organisations including Basildon. But the advent of the HCA does create an opportunity to look at new delivery models for regeneration and housing. In more detail the HCA will provide:-

- Broader and more streamlined service capable of increasing investment and housing supply for communities.
- Stronger link between Government, local authorities and developers, marrying national aspirations with local priorities.
- An annual budget of £5 billion will support delivery of 70,000 more affordable homes per year by 2011 and 3 million new homes by 2020.
- Enhanced buying and negotiating power to push up environmental standards design and build quality and attract private investment.

## INNOVATION AND BEST PRACTICE

English Partnerships pushes sector best practice by raising quality and standards:

- Code for Sustainable Homes – all sites briefed at:-
  - Code Level 3 since April 2007 minimum.
  - Code Level 4 from April 2010 minimum.
  - Code Level 6 from April 2013.
- Minimum quality standards – revised in November 2007 to:-
  - Increase space, reduce overheating, reduce noise and increase build and environmental quality.

We are not here to redesign the wheel, but we do look at things and modify them. There are few genuinely innovative ideas that start from scratch, but a number of opportunities we are looking at are Local Housing Companies and the alternative approach, Local Asset Based Vehicles.

## LOCAL HOUSING COMPANIES: THE NATIONAL CONTEXT

LHCs were introduced in the Housing Green Paper 'Homes for the future: more affordable, more sustainable.' The paper said that the launch of a new approach to the use of vacant land owned by Local Authorities will provide additional housing and the opportunity for a more active role for local government in the development of these sites. Fourteen new Local Housing Companies will be established by Local Authorities and partners, with a national programme of support from English Partnerships, to develop new market and affordable housing on surplus brownfield land.

## ALTERNATIVE APPROACH, LOCAL ASSET BASED VEHICLES

The key features here are balancing that risk and using public assets and the public sector risk more effectively in delivering schemes. And the main points of this alternative approach are:-

- Fund rather than project based – strategic engagement with private sector, over the long term
- Benefits from private sector innovation in delivery and funding
- Lets the public sector capture a share of value uplift
- Converts public sector assets into delivery outputs
- Alignment of goals with the private sector
- Sharing risks and rewards
- Helps provide certainty to private sector, but retains flexibility

We will need a much more realistic understanding of what we are putting into our schemes. Understanding risk is vital and considering whether it is a sensible solution to try and transfer all that risk to the private sector. The real question for all of us in these private/public sector operations is should not the public sector accept the risk itself on the basis that, "this is our risk, let's manage that risk and deliver a more successful project". We should be asking, how can we be more flexible, what are we trying to do, are we trying to get at outputs, are we trying to get capital receipts, or are we trying to get outcomes?

Concentrate on defining the outcomes of the project before engaging with the private sector.

## CASE STUDIES

### BARKING RIVERSIDE

This is an extensive brownfield site in East London that



will produce 10,800 homes, a town the size of Sevenoaks. It is a joint venture project, initially working with the private sector to bring in infrastructure then breaking the site down into plots and bringing in the house builders. The key to this scheme is the community. The first phase is to create community and we are establishing a community development trust so that right from the start people moving into this large area have ownership of its development. The total infrastructure cost for this scheme is about £350 million.

#### LONDON WIDE INITIATIVE

This is Newington Butts. The London Wide Initiative



comprises 16 sites, to deliver 5,000 homes via a £1 billion programme. We have taken the whole land assets of EP and invested them into the project. We do not intend to take land value out of the scheme but are looking to make the project happen and achieve good quality design, then using our asset or our value to create more shared ownership housing in a form called LWI Homes. In this scheme the focus of EP was not on a big cash return, what we wanted to do was to create a real outcome, a real outcome of quality building and more shared ownership homes.

#### CRAYLANDS AND FRYERNS, BASILDON

This regeneration project is two miles from the town centre and the project comprises two sites, the former Fryerns School (10.35ha) and the Craylands Estate (22.5ha). The intention is to re-provide up to 613 dwellings plus an additional 695 dwellings, 1,308 dwellings in total. Also 4,000 sq m of employment space will be developed including the re-provision of an improved local centre. EP has used enormous efforts here to transfer the risk of this project into the private sector. £70 million of public sector and £85 million of private sector investment has been secured to deliver the project.





#### **BLACKWALL REACH**

This is a 2000 home scheme that became controversial due to listing problems that are still, in fact, to be resolved. But the key feature is that there is already a Bengali community on site and it wants to stay there, and not necessarily in the existing buildings as they want new ones. We can deal with this as fortunately we have that focus on community whereas other parties don't.

#### **ALAN CHERRY CBE, Founding Director, Countryside Properties**

Anyone involved in property and housing will almost certainly be affected by the credit crunch currently being experienced around the world. Having just heard about £17 billion the HCA have to spend, that is insignificant compared to the \$300 billion that the American Government has just put in to saving one or two of its banks. All of this is all having a serious negative impact on the property and housing markets, with devastating consequences for some. Already several development companies have gone out of business and others are in serious trouble. It does not seem all that long ago that property values were at an all time high and the housing markets were booming. All, as we now know, funded by excessive, and some may say, irresponsible, lending by the banks and financial institutions. We all went along with it. It was never sustainable. It is easy to say it now but 100%+ mortgages for first time buyers was unsustainable and now we are feeling serious pain and upset as a result of this irresponsibility.

I do not believe that the banks and building societies, if they have got any sense, will ever return to those irresponsible ways of lending. As a developer of

housing and property specialising in the creation of sustainable communities, regeneration and renewal, we have been experiencing the impact of these significant changes and adjusting our business programmes appropriately as quickly as we can. We have slowed down many projects and delayed starts where construction has not yet begun. Financial viability has been seriously harmed and in some projects developers are suffering considerable losses. Cash generation has become our number one priority, cash flow is always a hugely important and number one principle of private sector business, but it is supremely important now. Countryside, like most developers, is financially highly geared so we are doing all we can to reduce debt and that means reducing our future development programmes. Fortunately we have been in business for many years and have experienced difficult trading conditions before including the economic recessions of the mid seventies and the early nineties. Of course no one downturn period is ever quite the same as before, but there are similarities and the lessons of previous experiences help us deal with the present crisis.

Where are we now and how and when will it all end? Property values have been upset, property prices have been falling, investment interest has been declining, yields have gone up and therefore years purchase has come down. Funding is extremely difficult to find unless you already have funding schemes in place, as indeed we have. Rents and occupancy are not yet under pressure but as the impact of this down turn has affected housing and property, the banking sector, and there are going to be increases in unemployment, then there must be, inevitably, an adverse impact on retailers and therefore the suppliers and manufacturers of retail and consumer

goods. This must lower the confidence of homebuyers and all those who are expected to invest in, or fund, property.

House prices have fallen some 15 to 30% since the peak in 2007. If you bought a site that was expected to yield you a gross profit of 15 to 20% you are in trouble. That is the problem for many developers now, and not just private sector developers because a lot of us are engaged in partnerships and joint ventures with the public sector, so it goes much further than just the poor old private developer who no one will ever shed a tear for as they have made so much money in the past. Affordable housing is also going to be upset. In the old days social housing was developed separately from market housing, a bad thing for us ever to have done. We tried to get involved in mixed tenure, integrating affordable housing with private housing and have been doing it very successfully, but the majority of affordable housing now in the pipeline for future delivery is the result of obligations under Section 106 Agreements. These are now having to be revisited because the financial liability of many projects just does not make sense any more and therefore, regrettably, the supply of affordable housing will also suffer from the overall impact of current economic problems.

This, obviously, has a huge impact on Government housing targets. In the industry we were all extremely excited when Government accepted that we needed 3 million new homes by 2020. I now believe that will be impossible to deliver and the targets will have to be revisited and reconsidered. Not as many homes were built last year as the year before, fewer homes will be built this year than last year and next year I think the numbers will be very low indeed. 3 million new homes by 2020 is a task impossible.

Market and prices are adjusting but it is a slow and painful process. My theory is that the whole market is dependent on the price of first time buyer housing. Owners cannot move from their homes unless somebody else buys them. At the start of every chain is a first time buyer or an investor; and investors are few and far between at the moment. What is the future for first time buyer prices if banks and building societies are limiting their lending to a maximum of 90% of valuation and four times annual income. Consider the South East and assume that the average income for a first time buyer is £30,000. This means the maximum mortgage for that first time buyer is £120,000 plus whatever they themselves have saved or can borrow from mum or dad or granddads. Therefore I expect first time buyer prices in the South East are going to come down to something like £140 to £150,000 thousand, a significant difference. Now the whole market has got to move to prices that are fixed by what people can or are allowed to borrow to enable the first time buyer. All the rest of the market tiers up from there. It will take some time before we reach this new level of pricing structure for housing. And not just in the South East but right across the country. My

company also operates in the North West, which has been our most difficult region recently. Recently we had a huge uplift in house prices, more than the South East in percentage terms, and therefore the adjustment here is even greater, playing havoc for all of us.

Housing requirements in the future are another issue. As a result of Government policy the emphasis on higher density development, the emphasis on brownfield land and urban regeneration, all of which I support, has caused the private sector of the regeneration industry to mostly build one or two bedroomed flats. Inevitably this means that, in some areas, there is a huge excess in the supply of one or two bed flats. In any case building too many such properties is not conducive to the concept of creating sustainable communities. Hopefully lessons will be learnt but we must not go that way again and ensure that we build a range of housing that is appropriate to the objective of creating socially sustainable communities. I predict that house types and densities are going to be a hugely important future issue.

I am in no doubt that the housing markets need some Government stimulus, and more than we have seen so far to help the situation. The relationship of housing to the wider economy has never been realised or appreciated before. It is now. The collapse of the housing market here is having huge consequences, even more than has been seen in the United States. The American Government is doing something to help but then it has far more resources, seemingly, out of which it can help. But our Government has not just got to deal with this present short term, three to five years is my guess, difficult problem, but it has got to come up with new schemes and initiatives to help the first time buyer. Why not some form of tax incentive for savers? When I was a young I did not need any encouragement to open an investment account with a building society and when my fiancée and I had saved enough money to pay a 10% deposit we went out, got a mortgage and brought a house. Many first time buyers have not had to do that recently so we have to adjust to new circumstances. Government has got to be the main source of new initiatives to help the first time buyer. This could be helping people to save in the first place although that would take a little while to have an impact, or it could be in other ways, like the English Partnership's first time buyer initiative. The EP initiative has been a huge success albeit moderately small in its overall impact. All new initiatives are going to be very important. I think local authorities also have got to join into this process of how to help people into housing. I make this point, in case you think that I am just talking about owner/occupied housing. If we do not help the first time buyer or people who could be first time buyers, they are going to be looking to the affordable sector to house them, so it is a problem for all of us. My concern is not just directed at first time buyers.

Section 106 Agreements and obligations is another issue we are already revisiting. Some of the obligations

developers have already entered into can no longer work now and local authorities have to realise that they cannot expect as much from Section 106 Agreements as previously. This will affect the delivery and the range of provision that used to be realised

Partnerships will become increasingly important and the ability of the public sector agencies (and therefore Government) to assist with front-end pump priming linked to a share of added value and surpluses will become more important. Partnerships have got to reflect local circumstances. What might be appropriate to achieve a regeneration project or redevelopment project here in Basildon may be quite different to similar schemes in the city of Salford. There is no one size fits all approach to this and I believe that local authorities, government agencies and the private sector have to look at the local problem and how should that be resolved.

I want to mention the planning process. Government has already tried hard to increase the efficiency of the planning process. And hard though it has tried it has not achieved it. The process overall is slow. If you look at the number of local development frameworks put in place since the legislation was passed four years ago, it is pathetic and plays havoc with understanding local policies and how to deal with them. It is also as difficult for elected members, the decisions makers here, as it is for we developers in trying to respond. I plead with everyone involved to help improve the planning process.

The sustainability agenda is with us now and forever and we have to try and balance sustainability issues with the economic aspects of development and regeneration and, of course, the social aspects too. Quality matters and we must not relax the demand for quality development. Today award-winning buildings are being pulled down. My cousins have become experts in the demolition and redevelopment of award-winning buildings.

Long-term management has been neglected for a long time. We have designed and built some fine places around the country but with a lack of attention to the important issue of long-term management. Some good schemes of years past have failed because of the lack of attention to this issue. Various solutions about how to deal with long-term management, maintenance services and management charges have been tried but great improvements are still needed here.

I have covered a number of issues in this paper, all of which are important, and it just goes to demonstrate the complexity of development and difficulties facing the development industry today, in these difficult times.

**STUART YEATMAN, Property Director, John Laing Projects and Developments Ltd**

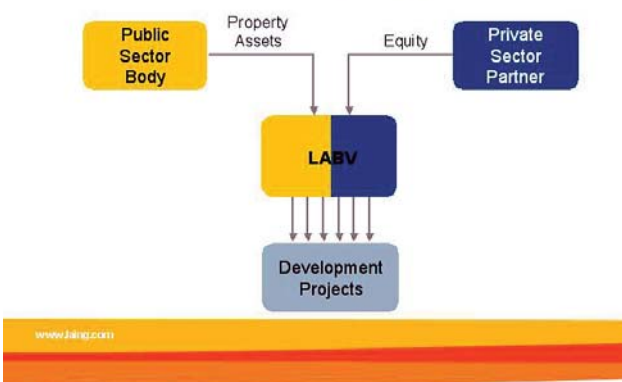
Some of you may have had long associations with John Laing but we are a slightly different company these days, as I shall explain. I also intend to deal with local asset backed vehicles, an area which John Laing is targeting.

John Laing is no longer a traditional developer, our homes division went to Wimpey in 2001 and, at the same time, construction went to O'Rourke. John Laing is now an investor in and a provider of public and social infrastructure. We operate in partnership with the public sector in the UK and abroad. We have just over 60 ongoing successful infrastructure projects in the UK, mainland Europe and elsewhere ranging from North America to the Far East. Our approach is to partner with our clients from the beginning and we believe that successful partnerships are developed because we work closely with our partners and we tailor make them as we go forward. We have lots of experience in the provision of social infrastructure and believe this is important. We know what is involved in stimulating regeneration in some fairly tough areas. One example we use is a project we have in Greater Manchester providing police stations in local neighbourhoods and health hubs through the LIFT model; these show that through investing, with our partners, in core elements of social infrastructure, what can be done to raise confidence in local communities, increase local values and then to see the domino effect work as areas uplift.

At the moment we focus on the Local Asset Backed Vehicle (LABV) and believe it is an excellent long-term model to bring forward regeneration in large mixed-use schemes. Its main features are:-

- Limited liability corporate entity
- Between public and private sector partners
- Able to utilise debt financing
- Shared control
- Flexible duration and membership
- Clear reporting mechanisms

### LABV – Basic Partnership Diagram



We see LABVs as a model that will not work in all cases. Some local authorities will not have the surplus portfolio or the range of portfolio that make it work or values in their area that can generate sufficient surplus value to fund projects. For a lot of local authorities there is surplus estate and opportunities to rework a range of life expired accommodation and along the way look at transforming working practices. Now is a very good

time to start to see how such projects might move forward.

The benefits of LABVs for the public sector are that they can accelerate the regeneration delivery process and if they are done in true partnership it means that an authority can have more control than the traditional route of teaming up, through a development agreement, with a developer. This is because the authority is in there making decisions over and above the planning decisions. The authority will be involved in making decisions, sharing risk and sharing rewards.

### Comparison of Development Options

	Flexibility	Control	Maximise asset values	Holistic	Structured Delivery
Land sale	-	x	x	x	x
Development Agreement	x	✓	x	x	-
PFI	x	✓	x	x	✓
LABV	✓	✓	✓	✓	✓



You can take a long-term approach and really control the delivery of regeneration both as a shareholder and as an authority. For the private sector, we can influence the structure of long-term partnerships and can inject commercial insight and expertise from the beginning. A healthy asset backed vehicle will also give your private sector partner a steady pipeline of work, geared to the local regeneration agenda, and gives your partner the confidence to work through the process by looking at a range of projects through a long term partnership. Also the private sector can take a blend of return, a mixture of traditional developers profit and a return on investment, where the private sector partner injects equity and potentially retains a lasting stake in the project.

Whatever “public/private” vehicle is chosen to promote the delivery of regeneration it is a fact that without that true partnership from the beginning they will not work, or they will fail to work as intended. John Laing very much promotes a co-operative approach with local authority clients. We see “local authority clients” as more than the officers around the table. We feel it is important for us to know that the Chief Executive and members are on board and there is cross party support for the chosen projects. Local elections happen, by and large, every four years so if there is political support across the parties we know that the chosen vehicle is likely to run the life of the project.

Successful partnerships, in our experience, are those that bring in other local development partners so they can feel part and parcel of the regeneration agenda.

On that basis I would not restrict these other partners to only commercial interests. Look at the RSLs that are active in your area, look at your local health sector, and your local further and higher education sectors. We have heard a lot about the credit crunch; we all read the newspapers. We find that the successful projects are the ones where we involve potential funders early on. Potential funders can then give a view as to what sort of terms and gearing they are prepared to accept. We know that it is difficult to arrange funding but we do feel, and hope, that those organisations that have excellent relationships with banks will succeed in arranging funds ahead of new business.

We have already heard about the importance of engaging with the end users and John Laing supports this view. Therefore please identify with the end user of your proposed projects, be they people who are going to occupy the affordable housing, be it the health authority coming in to share the proposed accommodation and social infrastructure.

It is important to understand that these are long-term deals. We are talking about projects that should be able to last for 10 to 20 years. Do not be frightened by that, because if the project structure is set up correctly opportunities can be brought forward at the right time in the market. In any event the partnership will want regular reviews to make sure that the partners are still getting on and working well together, to make sure that the model and the partnership is working and that it is worth going on to the next stage. That will deliver the flexibility that you need to adapt to local needs and changing market conditions.

In conclusion Local Asset Backed Vehicles are the way forward in the current market. They are based on long-term partnerships and the sharing of both risk and reward. If you are thinking of going to procurement then I believe that now is particularly a good time to do it. Remember how long the procurement process takes. By the time you have chosen your partner, and are through planning process on major schemes the market place should be a much rosier place in 4 or 5 years time for you to take your schemes forward and to regenerate your areas.

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Chief Executive, Basildon District Council;

**Stephen Oakes**  
Regional Director, London and Thames Gateway  
and English Partnerships;

**Alan Cherry CBE**  
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